



James W. Cicconi
General Counsel and
Executive Vice President
Law & Government Affairs

Suite 1000
1120 20th St. NW
Washington, DC 20036
202 457-2233
FAX 202 457-2244

December 19, 2000

Ms. Deborah A. Lathen
Chief
Cable Services Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: In the Matter of Applications for Consent to the Transfer of Control of
Licenses and Section 214 Authorizations from MediaOne Group, Inc. to
AT&T Corp., CS Docket No. 99-251**

Dear Ms. Lathen:

In response to your December 18, 2000 request, I write to provide further clarification of my December 15, 2000 letter regarding AT&T's compliance with the requirements of the Order in the above-referenced proceeding. As I indicated in my December 15, 2000 letter, we are actively taking the steps necessary to comply with the cable ownership conditions set forth in the Order,¹ and we are on track to fully satisfy those conditions on or before May 19, 2001.

At the outset, I want to assure you that AT&T intends to comply with all of the obligations imposed in the Order by the relevant deadlines. Our December 15 letter notes that AT&T expects to insulate its interest in Time Warner Entertainment, L.P. ("TWE") by May 19, 2001, pursuant to the insulated limited partner exception and the officers/directors attribution waiver provision of the Commission's cable ownership attribution rules. AT&T is taking all appropriate steps and making good progress to accomplish that result and, if we do so, we will be in compliance with the "Video Condition," as that term is defined in the Order. However, our ability to complete the Liberty transaction is dependent on our receipt of the tax rulings for which we have already applied. If we do not receive those rulings, AT&T will not have the right either to spin off Liberty or to place it in an irrevocable trust for purposes of sale. For this

¹ See Letter to Deborah Lathen, Chief, Cable Services Bureau, from James W. Cicconi, General Counsel and Executive Vice President, Law & Government Affairs, AT&T, at 1 n. 2 (December 15, 2000) (noting that AT&T has already announced plans to spin off Liberty Media Group, subject to AT&T's receipt of rulings from the Internal Revenue Service that the spin-off is tax-free to AT&T, Liberty Media, and their shareowners).

reason, it would not be proper for AT&T to designate this option as our “election” for purposes of the Order, because we cannot in good faith represent that our interest in Liberty could be placed in the trust required by the Order.

Thus, consistent with our obligations under paragraphs 187, 188, and 189 of the Order, the letter goes on to state that if AT&T is unable to complete the insulation of its TWE interest for any reason, AT&T has made the election to divest its TWE interest or place that interest in an irrevocable trust.² As you correctly point out, if AT&T believes on March 20, 2001 that it will not be in compliance with the Order’s Video Condition by May 19, 2001, “then AT&T must, pursuant to paragraph 189 of the *Order*, file a document describing the irrevocable trust arrangement that it will establish for the sale of its TWE interest.” However, our December 15 letter does not, and in our view need not, make an irrevocable election to dispose of the TWE interest because that election and the corresponding trust mechanism, as required by the Order, are to take effect only in the event that AT&T does not otherwise satisfy the Video Condition by May 19, 2001.

In this regard, paragraph 186 of the Order specifically conditions the merger of AT&T and MediaOne on the requirement that AT&T, by May 19, 2001, either (a) divest its interest in TWE; (2) terminate its involvement in TWE’s video programming activities (pursuant to the limited partnership exemption and the officers/directors attribution waiver provisions of the cable ownership attribution rules); or (c) divest its interest in other cable systems so that it will have attributable interests in cable systems serving no more than 30% of MVPD subscribers nationwide. This requirement is known as the “Video Condition.”

As you point out in your December 18 letter, paragraph 187 of the Order requires AT&T, by December 15, 2000, to elect one of the three compliance options. In connection with that election, paragraph 188 of the Order provides that, “*if [AT&T has] not complied with the Video Condition by the May 19, 2001 deadline*” (emphasis added), it must place in an irrevocable trust for purposes of sale the assets that must be divested in order to effectuate the December 15 election. Paragraph 189 of the Order further requires that if AT&T will not be in compliance with the Video Condition by May 19, 2001, it must, by March 20, 2001, submit for Commission

² Consumers Union, Consumer Federation of America, and Media Access Project (“CU, *et al.*”) filed various motions on December 18, 2000 questioning the sufficiency of AT&T’s December 15, 2000 letter. See Emergency Motion For Expedited Declaratory Ruling And To Waive Procedural Rules, filed by CU, *et al.* in CS Docket No. 99-251 (Dec. 18, 2000); Motion For Leave To File Contingent Supplement To Petition For Reconsideration, filed by CU, *et al.* in CS Docket No. 99-251 (Dec. 18, 2000); Contingent Supplement To Petition For Reconsideration, filed by CU, *et al.* in CS Docket No. 99-251 (Dec. 18, 2000) (“CU, *et al.* Contingent Supplement”). The essence of CU, *et al.*’s argument is that AT&T did not indicate which of the three compliance options it has chosen in connection with the election required by paragraphs 187, 188, and 189 of the Order. CU, *et al.* is incorrect and its motions are based on a fundamental misunderstanding of the Order. As explained herein, for purposes of the election in the event AT&T is unable to comply with the Video Condition by May 19, 2001, AT&T has selected a single option, *i.e.*, to divest its TWE interest or to put that interest in an irrevocable trust for the purposes of sale. The Order does not require, as CU, *et al.* contend, that AT&T select and be bound by a single method of achieving compliance with the Video Condition.

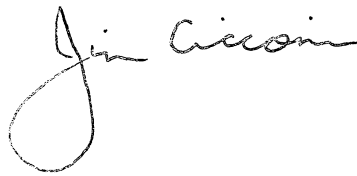
review a proposed irrevocable trust agreement with respect to the assets relevant to the December 15 election.

We understand both the language and purpose of paragraph 186 to require AT&T to satisfy the Video Condition by accomplishing any of the three options set out in that paragraph on or before May 19, 2001. Paragraphs 187, 188, and 189, read together, describe what steps AT&T must take in the event that AT&T is unable otherwise to satisfy the Video Condition by May 19, 2001. We believe the Order makes clear that the election in paragraph 187, and the trust mechanism set out in paragraphs 188 and 189, are “failsafe” measures designed to guarantee that AT&T makes timely and meaningful progress toward completing the complicated transactions required to meet any of the options that comprise the Video Condition, and to identify a self-executing “remedy” – designating assets to populate an irrevocable disposition trust – that will apply in the event that AT&T is unable to comply with the Video Condition.³

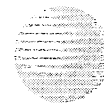
Paragraph 71 of the Order likewise supports this analysis. For example, paragraph 71 states that the Commission “will give [AT&T] a period of 12 months” to satisfy one of the three options in the Video Condition. The Commission expressed no preference and placed no restriction as to which option AT&T chooses. While paragraph 71 also states that AT&T must file by December 15, 2000 an election specifying which of the three options it has chosen, the remainder of the paragraph makes clear that the election only relates to a situation in which “[AT&T] is not in compliance by the May 19, 2001 deadline.” In other words, if AT&T is in compliance by May 19, 2001 with any of the options comprising the Video Condition pursuant to paragraph 186, the Commission’s concerns about the level of AT&T’s cable ownership will be fully satisfied, and the election and trust mechanisms described in paragraphs 187, 188, and 189 thus will be unnecessary.

I hope that this letter is helpful in clarifying my December 15, 2000 letter. If you have questions or wish to discuss this further, I would welcome the opportunity to meet or speak with you at your convenience.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Ciccio". The signature is fluid and cursive, with a large loop at the end of the last name.

³ *CU, et al.* is plainly wrong in asserting that AT&T’s December 15 letter “does nothing to promote the certainty of [AT&T’s] compliance” with the Video Condition. *See* Contingent Supplement at 4. To the contrary, by certifying that if AT&T is not otherwise in compliance with the Video Condition by May 19, 2001, it will place the TWE interest in an irrevocable trust for the purposes of sale, AT&T has guaranteed compliance with the Video Condition precisely as the Order contemplates.



AT&T

Betsy J. Brady, Esq.
Federal Government Affairs
Vice President

Suite 1000
1120 20th Street, N.W.
Washington, DC 20036
202 457-3824
FAX 202 457-2545
EMAIL betbrady@att.com

December 19, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TWB-204
Washington, D.C. 20554

RE: In the Matter of Applications for Transfer of Control to AT&T Corp. of
Licenses and Authorizations Held by MediaOne Group, Inc., CS Docket No.
99-251

Dear Ms. Salas:

Please include a copy of the attached in the record of the above-referenced proceeding.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Betsy J. Brady

Attachment



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